

# ENERGY

Energy is one of California's most critical industries, employing more than 150,000 people<sup>25</sup> and contributing more than \$34 billion to the state's economy each year.<sup>26</sup> California's energy costs are now nearly 61 percent higher than the national average, placing a burden on industries such as manufacturing.<sup>27</sup>

California is continuing its efforts to ensure reliable and affordable sources of clean energy to meet its growing demand. Hydroelectric and wind energies account for 16 percent of the state's supply.<sup>28</sup> California has one of the most aggressive alternative energy policies in the United States, requiring a renewable portfolio standard of 20 percent by the year 2017. California also is making modest progress toward upgrading aging energy facilities and transmission pathways to increase efficiency and provide a more stable supply. Between 1998 and 2004, the California Energy Commission had approved or reviewed 58 projects to bring approximately 23,000 megawatts online, far exceeding the total number from the previous 20 years.<sup>29</sup> But despite that, the Energy Commission reports that many other potential projects were never filed because of unfavorable market conditions.<sup>30</sup> Continuing investigations by government regulators are showing that energy companies have manipulated the market to reap profits. Consumer groups also have claimed that energy companies have intentionally restricted the energy supply in order to keep prices high and protect their bottom lines.<sup>31</sup>

Economists predict a rising demand for energy, especially clean-burning natural gas. California uses more than six billion cubic feet of natural gas per day, about 85 percent of which is imported from other states and Canada. During the last five years, natural gas prices have nearly tripled.<sup>32</sup> These figures are fueling the push to fast-track LNG (liquefied natural gas) facilities in order to provide additional supplies of natural gas in the face of higher energy prices. Currently, there are at least six LNG projects proposed for the coasts of California and Mexico.<sup>33</sup> These proposals are facing opposition from local community and environmental groups who question the safety and necessity of LNG along the California coast. There is concern that introducing LNG to California will create an over-dependence on a foreign supply of fossil fuel and scale back California's landmark 20-percent renewable energy standard.<sup>34</sup>

As California's population is projected to increase significantly over the next two decades, the state government's plans for the expansion of our energy infrastructure and conservation are increasingly important. Stronger protections and regulatory oversight also will be critical for preventing market manipulations that cause shortages and drive consumer costs up.

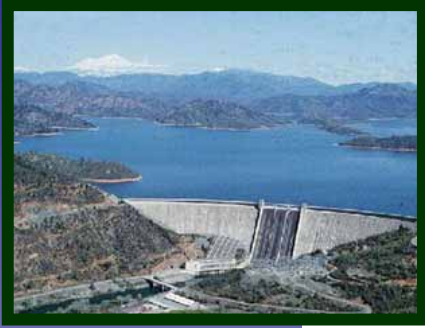


Photo Credit:  
Shasta Dam generating  
hydroelectric  
power, courtesy of the United  
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Photo Credit:  
Wind turbines at Altamont Pass  
generating wind energy, courtesy  
of the California Energy  
Commission.

<sup>25</sup> California Employment Development Department, Labor Market Information, "Industry Employment & Labor Force," March 2003.

<sup>26</sup> California Energy Commission, "Integrated Energy Policy Report Subsidiary Volume: Electricity and Natural Gas Assessment Report," December 2003.

<sup>27</sup> Bay Area Economic Forum, "One Million Jobs at Risk: The Future of Manufacturing in California," March 2005.

<sup>28</sup> California Energy Commission, "Hydroelectric Power In California," June 2004, August 2004; CEC, "Wind Energy In California," June 2004, [www.energy.ca.gov/wind/overview.html](http://www.energy.ca.gov/wind/overview.html), August 2004.

<sup>29</sup> California Energy Commission, "Energy Commission Power Plant Licensing," March 2005.

<sup>30</sup> Ibid.

<sup>31</sup> Cooper, Dr. Mark, Consumers Union, Testimony Before the U.S. House of Representatives, June 2001, [www.consumersunion.org](http://www.consumersunion.org).

<sup>32</sup> Felsing, Donald, "Liquefied Natural Gas: A Critical Fuel for California's Energy Future," *San Diego Union Tribune*, November 4, 2004.

<sup>33</sup> McCoy, Laura, "Companies Jockey to Import Liquid Natural Gas," *The Sacramento Bee*, February 20, 2005.

<sup>34</sup> Ratepayers for Affordable, Clean Energy Coalition, "Liquid Natural Gas: Inefficient, Unsafe, and Unnecessary," July 24, 2004, [www.LNGwatch.com](http://www.LNGwatch.com).